

ISSUE

May an organization formed to promote the legal rights of all tenants in a particular community and occasionally to initiate litigation to contest the validity of legislation that adversely affects tenants qualify for exemption from federal income tax under section 501(c)(4) of the Internal Revenue Code as a social welfare organization?

FACTS

The organization was formed to promote the legal rights of tenants in a particular community. To accomplish this objective, it publishes a newsletter and conducts public meetings dealing with matters of concern to tenants. It also operates an information center that provides tenants with answers concerning their rights and obligations under lease agreements with their landlords. In order to present the views of tenants with respect to laws and regulations that affect them, the organization regularly testifies before administrative and legislative bodies. Occasionally, the organization initiates litigation to contest the validity of legislation it feels will adversely affect tenants in the county.

LAW AND ANALYSIS

Section 501(c)(4) of the Code provides for the exemption from federal income tax of civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare.

Section 1.501(c)(4)-1(a)(2)(i) of the Income Tax Regulations provides that an organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. An organization embraced within this section is one which is operated primarily for the purpose of bringing about civic betterments and social improvements.

Rev. Rul. 73-306, 1973-2 C.B. 179, holds that a nonprofit organization formed to represent member-tenants of an apartment complex in negotiations with landlords, in litigation, and before local and federal regulatory agencies with respect to matters of mutual concern to the tenants does not qualify for exemption under section 501(c)(4) of the Code.

Rev. Rul. 73-306 is distinguishable because in that revenue ruling the organization's activities are directed primarily toward benefitting its member-tenants rather than, as in the instant case, all tenants in the community.

By promoting the legal rights of tenants in a particular

community under the circumstances described above, the organization is promoting the common good and general welfare of the people of the community.

HOLDING

A nonprofit organization that promotes the legal rights of all tenants in a particular community and occasionally initiates litigation to contest the validity of legislation adversely affecting tenants may qualify for exemption under section 501(c)(4) of the Code as a social welfare organization.

APPLICATION INSTRUCTIONS

Even though an organization considers itself within the scope of this revenue ruling, it must file an application on Form 1024, Application for Recognition of Exemption Under Section 501(a) or for Determination Under Section 120, in order to be recognized by the Service as exempt under section 501(c)(4) of the Code. See section 1.501(a)-1 of the regulations. In accordance with the instructions to Form 1024, the application should be filed with the District Director of Internal Revenue for the key district indicated therein.